

THE HOUSE OF REPRESENTATIVES
Monday, March 29, 2010

Committee Substitute for
ENGROSSED
Senate Bill No. 2034

COMMITTEE SUBSTITUTE FOR ENGROSSED SENATE BILL NO. 2034 - By:
COFFEE of the Senate and SULLIVAN AND KERN of the House.

An Act relating to school audits; amending 70 O.S. 2001, Sections 22-104, as amended by Section 15, Chapter 472, O.S.L. 2005, 22-108, 22-109 and 22-110, as amended by Section 16, Chapter 472, O.S.L. 2005 (70 O.S. Supp. 2009, Sections 22-104 and 22-110), which relate to the Oklahoma Public School Audit Law; modifying eligibility requirements for accountants to enter into certain audit contracts; transferring certain duties from the State Board of Education to the State Auditor and Inspector; requiring school districts to pay cost of certain audit; amending 74 O.S. 2001, Section 213, as amended by Section 4, Chapter 250, O.S.L. 2009 (74 O.S. Supp. 2009, Section 213), which relates to special audits; removing certain limitation; providing an effective date; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

1 SECTION 1. AMENDATORY 70 O.S. 2001, Section 22-104, as amended by
2 Section 15, Chapter 472, O.S.L. 2005 (70 O.S. Supp. 2009, Section 22-104), is amended to
3 read as follows:
4 Section 22-104. A. The audit of each public school shall be made in accordance with
5 generally accepted auditing standards as defined by the American Institute of Certified
6 Public Accountants and shall comply with the most recent Government Auditing
7 Standards issued by the United States Government Accountability Office, except in those

1 instances in which such standards are in violation of the laws of the State of Oklahoma
2 or the rules ~~and regulations~~ of the State Board of Education.

3 B. All accountants or partnerships of accountants, before entering into audit
4 contracts required ~~under this article~~ pursuant to the Oklahoma Public School Audit Law,
5 shall satisfy the State ~~Board of Education~~ Auditor and Inspector that such accountant or
6 at least one partner of a partnership of accountants is:

7 1. Is a resident of the State of Oklahoma ~~with;~~

8 2. Has at least two (2) years of public accounting experience ~~and is;~~

9 3. Is currently maintaining an office in the State of Oklahoma; and

10 4. Has completed a minimum of eight (8) clock hours of continuing education credit
11 in school district accountancy during the prior year approved by the State Auditor and
12 Inspector.

13 Any certified public accountant who is also an attorney licensed to practice law in
14 the state and has engaged in the private practice of law for at least two (2) years shall be
15 deemed to meet the experience requirement as provided in paragraph 2 of this ~~section~~
16 subsection.

17 C. Accountants or partnerships of accountants shall submit their application with
18 the most recent peer review and any letter of comment for approval or disapproval by the
19 State ~~Board of Education~~ Auditor and Inspector for the current audit year on or before
20 the first day of January of each calendar year. If and when the State of Oklahoma
21 requires all auditors to be licensed by the Oklahoma Accountancy Board, each
22 accountant or partnership of accountants shall also satisfy the ~~State Board of Education~~

1 requirement that such accountants or partnership of accountants has been so licensed
2 and is held in good standing by the Oklahoma Accountancy Board during the period in
3 which the audit was conducted before being placed on the list of approved school
4 auditors. Provided, that any accountant approved prior to the requirement of such
5 license and who is still in good standing with the State ~~Board of Education~~ Auditor and
6 Inspector shall continue to be eligible for approval and inclusion on the list of approved
7 auditors.

8 D. All accountants or partnerships of accountants entering into audit contracts
9 required ~~under this article~~ pursuant to the Oklahoma Public School Audit Law shall
10 carry a minimum of Two Hundred Fifty Thousand Dollars (\$250,000.00) accountants'
11 professional liability insurance or the total amount of the budget being audited,
12 whichever is less.

13 SECTION 2. AMENDATORY 70 O.S. 2001, Section 22-108, is amended to read
14 as follows:

15 Section 22-108. A. Each audit required by ~~this act~~ the Oklahoma Public School
16 Audit Law shall be completed and the audit report thereon shall be submitted by the
17 auditor to the local board of education within ten (10) months after the close of the fiscal
18 year of the local board of education.

19 B. One copy of the audit report shall be filed by the local board of education in the
20 office of the county clerk of the county wherein the principal office of the local board of
21 education is located.

UNDERLINED language denotes Amendments to present Statutes.
BOLD FACE CAPITALIZED language denotes Committee Amendments.
~~Strike thru~~ language denotes deletion from present Statutes.

1 C. One copy of the audit report shall be maintained by the local board of education
2 as a public record for public inspection at all reasonable times at the office of the local
3 board of education. All records shall be kept at least five (5) years.

4 D. The local board of education shall forward a copy of the audit report to the State
5 Board of Education and the State Auditor and Inspector within thirty (30) days after
6 receipt of ~~said~~ the audit. The State Board of Education shall retain such copy in its office
7 as a public record where it shall be available for public inspection at all reasonable times.
8 ~~A copy of the audit report shall be available to the State Auditor and Inspector from the~~
9 ~~State Board of Education upon request by the State Auditor and Inspector at all~~
10 ~~reasonable times.~~

11 E. The State Board of Education may make inquiries it deems necessary to
12 determine that each school is properly complying with ~~this article~~ the Oklahoma Public
13 School Audit Law. If within eleven (11) months after the end of the fiscal year of the
14 public school a copy of the audit report has not been received by the State Board of
15 Education, an inquiry shall be made by the State Board of Education as to why such
16 report has not been filed. Should the State Board of Education find that the local board
17 of education has failed to cause an annual audit to be commenced, the State Board of
18 Education shall make a written demand on ~~said~~ the board to complete and file such
19 annual audit within thirty (30) days of the date of such demand.

20 SECTION 3. AMENDATORY 70 O.S. 2001, Section 22-109, is amended to read
21 as follows:

1 Section 22-109. The State ~~Board of Education~~ Auditor and Inspector shall examine
2 all reports submitted to it and shall determine whether ~~said~~ the reports comply with the
3 provisions of ~~this article~~ the Oklahoma Public School Audit Law. If the State ~~Board of~~
4 ~~Education~~ Auditor and Inspector finds that they have not been complied with, the ~~Board~~
5 State Auditor and Inspector shall notify the local board of education and the auditor who
6 submitted ~~said~~ the audit report by submitting to them a statement of deficiencies. If the
7 deficiencies are not corrected within ninety (90) days from the date of the statement of
8 deficiencies or within twelve (12) months after the end of the fiscal year of the local
9 district, whichever is later, the State ~~Board of Education~~ Auditor and Inspector shall
10 make or cause an audit to be made in the manner provided for in Section 22-108 of this
11 ~~article~~ title. Any school district audited pursuant to this section shall pay for the cost of
12 the audit.

13 SECTION 4. AMENDATORY 70 O.S. 2001, Section 22-110, as amended by
14 Section 16, Chapter 472, O.S.L. 2005 (70 O.S. Supp. 2009, Section 22-110), is amended to
15 read as follows:

16 Section 22-110. A. In any case where an accountant or partnership of accountants
17 has knowingly issued an audit report, required under the provisions of ~~this article~~ the
18 Oklahoma Public School Audit Law, containing any false or misleading statements, the
19 State ~~Board of Education~~ Auditor and Inspector shall report such violation in writing to
20 the board of education of such public school and in the case of Licensed Public
21 Accountants, Certified Public Accountants, or partnerships of Certified Public

1 Accountants, to the Oklahoma Accountancy Board. The State ~~Board of Education~~
2 Auditor and Inspector shall revoke their rights to perform such audits in the future.

3 B. Any member of the governing body of the local board of education or any
4 member, officer, employee or agency of any department, board or commission of the
5 public school who knowingly and willfully furnishes to the auditor or to ~~his~~ an employee
6 of the auditor any false or fraudulent information shall be deemed guilty of malfeasance,
7 and upon conviction, the court shall enter judgment that such person so convicted shall
8 be removed from office or employment of ~~said~~ the public school. It shall be the duty of
9 the court rendering such judgment to cause immediate notice of such removal from office
10 or employment to be given to the proper officer of the school district so that the vacancy
11 thus caused may be filled.

12 SECTION 5. AMENDATORY 74 O.S. 2001, Section 213, as amended by
13 Section 4, Chapter 250, O.S.L. 2009 (74 O.S. Supp. 2009, Section 213), is amended to
14 read as follows:

15 Section 213. A. It shall be the duty of the State Auditor and Inspector to examine
16 and report upon the books and financial accounts of the public, educational, charitable,
17 penal and reformatory institutions belonging to the state; to prescribe and enforce correct
18 methods of keeping financial accounts of the state institutions and instruct the proper
19 officers thereof in the performance of their duties concerning the same; to examine the
20 books and accounts of all public institutions under the control of the state at least once
21 each year. Any officer of such public, educational, charitable, penal and reformatory

1 institutions who shall refuse or willfully neglect to comply with such direction of the
2 State Auditor and Inspector within a reasonable time shall be guilty of a misdemeanor.

3 B. Each board of regents of institutions in The Oklahoma State System of Higher
4 Education shall require a quality control review of the internal audit function required
5 pursuant to subsection D of Section 3909 of Title 70 of the Oklahoma Statutes for each
6 institution under its governance at least once every three (3) years. This review shall be
7 in accordance with the “Quality Assurance Review Manual for Internal Auditing”
8 developed by the Institute of Internal Auditors or any successor organization thereto. A
9 copy of the report on the quality control review shall be filed with the State Auditor and
10 Inspector.

11 C. The State Auditor and Inspector shall perform a special audit on common school
12 districts and technology center districts upon receiving a written request to do so by any
13 of the following: the Governor, Attorney General, President Pro Tempore of the Senate,
14 Speaker of the House of Representatives, State Board of Education, or the technology
15 center school district board. The State Auditor and Inspector shall perform a special
16 audit on any institution of higher education within The Oklahoma State System of
17 Higher Education whenever the State Auditor and Inspector deems it appropriate or
18 upon receiving a written request to do so by any of the following: the Governor, the
19 Attorney General, the President Pro Tempore of the Senate, the Speaker of the House of
20 Representatives, the governing board of the institution of higher education, or the
21 president of the institution of higher education. The special audit shall include, but not
22 necessarily be limited to, a compliance audit. The special audit shall be conducted

1 according to the American Institute of Certified Public Accountants' "Statements on
2 Auditing Standards". Such audits shall be designed to review items for management's
3 compliance with statutes, rules, policies and internal control procedures or other items
4 applicable to each entity. The costs of any such audit shall be borne by the audited entity
5 and may be defrayed, in whole or in part, by any federal funds available for that purpose.

6 D. In addition to any special audit conducted by the State Auditor and Inspector as
7 provided for in subsection C of this section, the State Auditor and Inspector shall,
8 contingent upon the availability of funding, perform a special audit, without notice, on
9 not more than four common school districts ~~with an average daily membership (ADM) of~~
10 ~~less than one thousand (1,000)~~ each year. The special audit shall be in a form as
11 determined by the State Auditor and Inspector.

12 E. The State Auditor and Inspector shall perform a special audit without notice on
13 the office of any district attorney or on any division of the Department of Corrections
14 upon receiving a written request to do so by any of the following: the Governor, the
15 Attorney General, or joint request of the President Pro Tempore of the Senate and the
16 Speaker of the House of Representatives. The State Auditor and Inspector shall perform
17 a special audit without notice on any penal institution, corrections program, contract for
18 service or prison bed space provided to the Department of Corrections, or any program
19 administered by a district attorney's office or staff of such office whenever the State
20 Auditor and Inspector deems it appropriate or upon receiving a written request to do so
21 by any of the following: the Governor, the Attorney General, or joint request of the
22 President Pro Tempore of the Senate and the Speaker of the House of Representatives.

1 The special audit shall include, but not necessarily be limited to, a compliance audit.
2 Such audits shall be designed to review items for compliance with statutes, rules, policies
3 and internal control procedures or other items applicable to each entity. The costs of any
4 such audit shall be paid by the state agency and may be defrayed, in whole or in part, by
5 any federal funds available for that purpose through any audited program.

6 SECTION 6. This act shall become effective July 1, 2010.

7 SECTION 7. It being immediately necessary for the preservation of the public
8 peace, health and safety, an emergency is hereby declared to exist, by reason whereof
9 this act shall take effect and be in full force from and after its passage and approval.

10 COMMITTEE REPORT BY: COMMITTEE ON COMMON EDUCATION, dated 03-25-10
11 - DO PASS, As Amended and Coauthored.